



STATE OF UTAH INSURANCE DEPARTMENT

REPORT OF FINANCIAL EXAMINATION

of

STANDARD LIFE AND CASUALTY INSURANCE COMPANY

of

Salt Lake City, Utah

as of

December 31, 2021

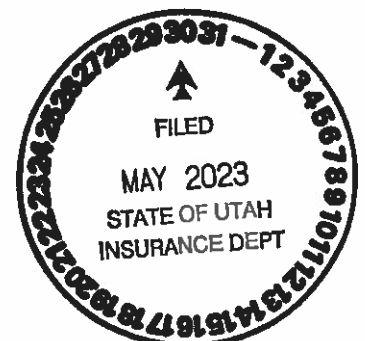


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May 19, 2023

Honorable Jonathan T. Pike, Commissioner
Utah Insurance Department
4315 S 2700 W, Suite 2300
Taylorsville, Utah 84129

Commissioner:

Pursuant to your instructions and in compliance with Utah Code § 31A-2-204, a multi-state examination, as of December 31, 2021, has been made of the financial condition and business affairs of:

STANDARD LIFE AND CASUALTY INSURANCE COMPANY
Salt Lake City, Utah

hereinafter referred to in this report as “the Company”, and the following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered by Examination

The last full-scope examination of the Company was as of December 31, 2019. This full-scope examination was conducted by representatives of the Utah Insurance Department (Department) and covers the period of January 1, 2020, through December 31, 2021, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination. This examination was part of a coordinated examination led by representatives of the Texas Department of Insurance.

Examination Procedures Employed

We conducted our examination in accordance with the *National Association of Insurance Commissioners Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause the Company’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with Statutory Accounting Principles. The examination, however, does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment

is identified, the impact of such adjustment will be documented separately following the Financial Statements section of this report.

This examination report includes significant findings of fact, as mentioned in Utah Code § 31A-2-204 and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other insurance regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

1. During the substantive testing of premium related activity, two short-term medical program policies along with their premium payment information for November 11, 2021, and August 31, 2021, respectively, could not be provided to the examination team. These policies were administered by the Company's third-party administrator (TPA), International Benefits Administrators. The short-term medical program is deemed significant as it represented approximately 23% of the Company's 2021 premium revenues. Failure to keep accurate books and records is non-compliant with Utah Code §31A-25-302.

The Company agreed with the finding and plan to audit this TPA and any other TPA involved in the short-term medical business being written and reinsured for the Company.

2. The Company became party to the Master Services Agreement effective August 31, 2020. However, the Company did not disclose this affiliated transaction in Note 10 and Schedule Y Part 2 of any of the Annual Statements as required by the NAIC Annual Statement Instructions.

The Company agreed with the finding but noted that the Company had been operating as a standalone entity until recently, so no monetary transactions took place between the Company and other affiliates.

COMPANY HISTORY

General

The Company was initially incorporated as a South Carolina domiciled stock life insurance company on October 1, 1946, and commenced business on October 1, 1948. In 1980, the Company was acquired by American Investors Assurance Company. Effective September 29, 2001, the Company re-domesticated to Utah.

Effective August 31, 2020, due to an acquisition, the Company became part of the holding company of the Manhattan Life Group, Inc., in which David W. Harris is the ultimate controlling person.

Dividends and Capital Contributions

The Company paid \$35,000 in dividends to stockholders in 2020. No dividends were paid in subsequent years.

In 2020, the Company received \$2,288,274 in capital contributions from its immediate parent, Western United Life Assurance Company (WULA). There was no capital contribution in 2021. Subsequent to the examination date, in 2022, the Company received another capital contribution (see SUBSEQUENT EVENTS section).

Mergers and Acquisitions

There were no mergers or acquisitions during the examination period.

MANAGEMENT & CONTROL INCLUDING CORPORATE GOVERNANCE

Board of Directors

The following persons served on the Board of Directors as of December 31, 2021:

Name and Location	Principal Occupation
David W. Harris <i>Houston, TX</i>	Chairman of the Board <i>Standard Life and Casualty Insurance Company</i>
Daniel J. George <i>Houston, TX</i>	President, Treasurer <i>Western United Life Assurance Company</i>
Kent W. Lamb <i>Houston, TX</i>	Senior VP, Chief Financial Officer <i>ManhattanLife Assurance Company of America</i>
John E. McGettigan <i>Houston, TX</i>	Executive VP, Secretary, General Counsel <i>Western United Life Assurance Company</i>
Todd Z. Hayden <i>Houston, TX</i>	Senior VP, Chief Marketing Officer <i>ManhattanLife Assurance Company of America</i>
Lee Ann Blakey <i>Houston, TX</i>	Senior VP, Chief Operating Officer <i>ManhattanLife Assurance Company of America</i>

Committees

The following persons served as Audit Committee members as of December 31, 2021:

Daniel J. George, Chairman
Kent W. Lamb
John E. McGettigan

Officers

The following persons served as officers as of December 31, 2021:

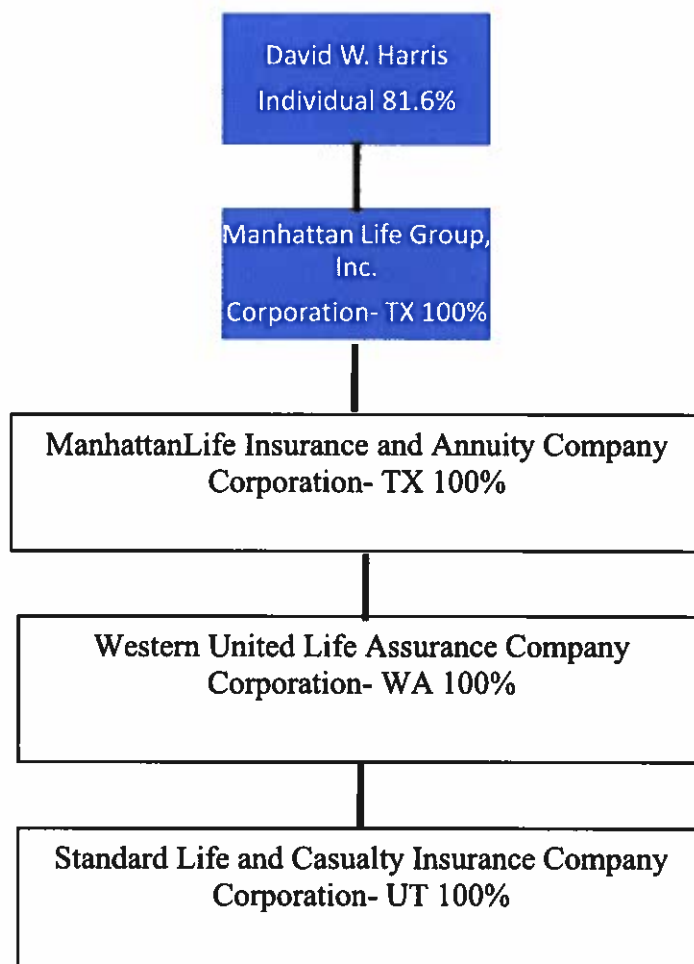
Name	Title
David W. Harris	Chairman of the Board
Daniel J. George	Chief Executive Officer
Kent W. Lamb	Senior Vice-President, Chief Financial Officer
John E. McGettigan	Executive Vice-President, Secretary, General Counsel
Todd R. Tippets	President
Lee Ann Blakey	Executive Vice-President, Chief of Staff
Teresa S. Moro	Senior Vice President

For changes to Directors and Officers, see SUBSEQUENT EVENTS section.

Holding Company

The Company is part of a holding company as defined in Utah Code § 31A-16. The holding company's ultimate controlling person is David W. Harris.

The following organizational chart depicts only the Company's direct ownership as of 2021 year-end:



Transactions and Agreements with Affiliates

Effective August 31, 2020, the Company became party to a Master Services Agreement with WULA, ManhattanLife Assurance Company of America, The Manhattan Life Insurance Company, and Family Life Insurance Company (collectively, “the Parties”). The purpose of the agreement is to allocate expenses and benefits from shared services and facilities amongst the Parties.

Effective January 1, 2021, the Department approved Amendment No. 2 to the Master Services Agreement to include ManhattanLife of America Insurance Company, and Manhattan Life Group, Inc., which may provide or receive certain services and facilities from affiliates.

TERRITORY AND PLAN OF OPERATION

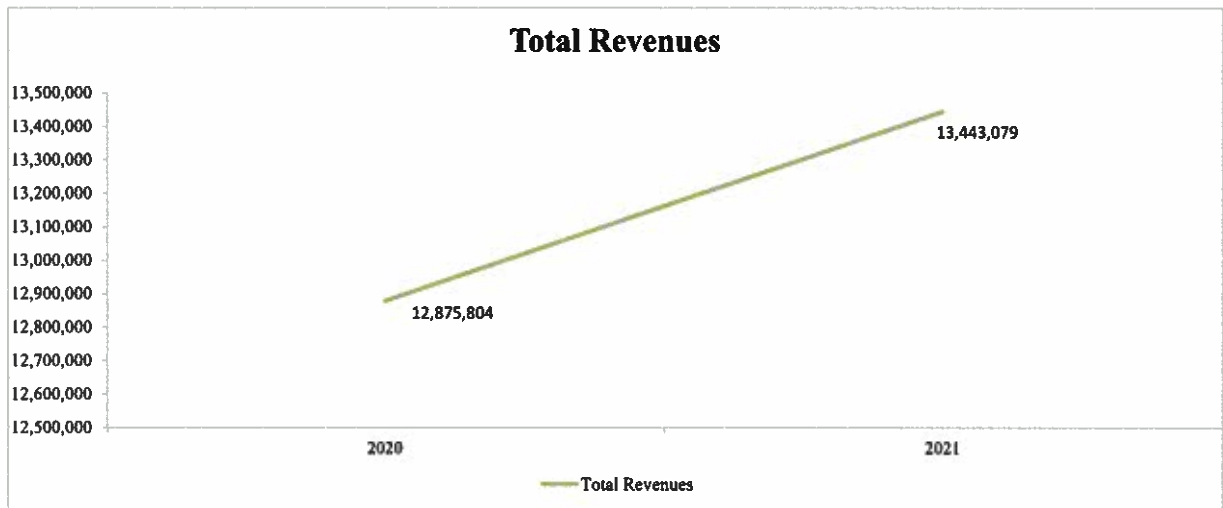
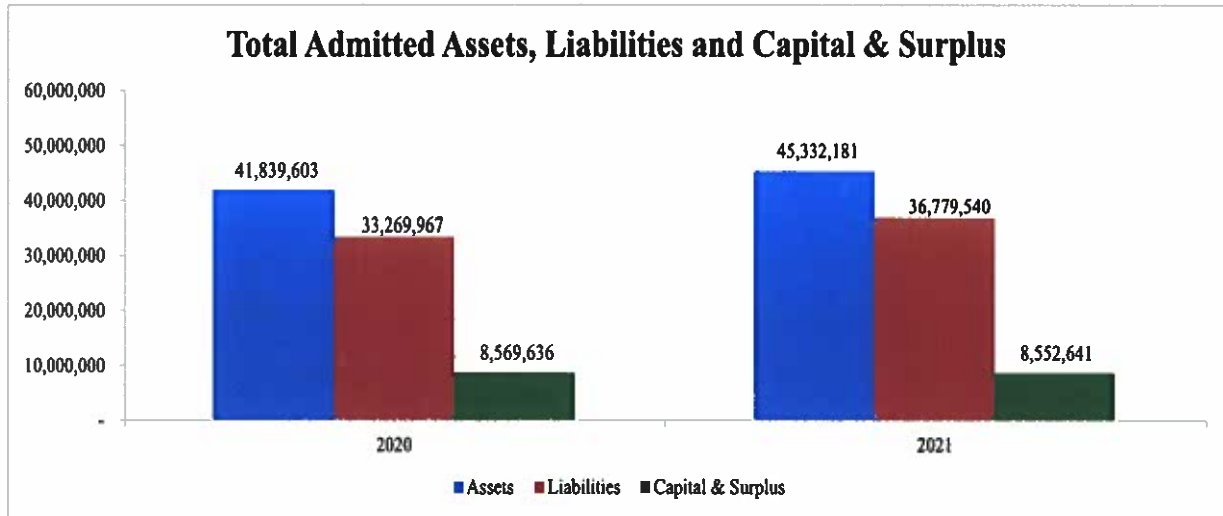
The Company is authorized to transact life, accident & health, and annuity insurance business. Most premiums were written in three (3) states: Georgia, North Carolina, and South Carolina. See the following table for states the Company were licensed in as of the examination date:

Alabama	Kansas	Nevada	South Dakota
Arizona	Kentucky	New Mexico	Tennessee
Arkansas	Louisiana	North Carolina	Texas
Colorado	Maryland	North Dakota	Utah
Florida	Mississippi	Ohio	Wyoming
Georgia	Missouri	Oklahoma	
Idaho	Montana	Pennsylvania	
Indiana	Nebraska	South Carolina	

Subsequent to the examination date, the Company obtained additional licenses in eight (8) other states (see SUBSEQUENT EVENTS section).

GROWTH OF COMPANY

Assets and revenues grew year-over-year during the examination period, liabilities also increased as a result of increased life reserves. Capital and surplus remain steady, in part due to capital contributions. See the following graphs:



REINSURANCE

Assumed Reinsurance

As of the examination date, the Company had assumed reinsurance from the following companies: Cincinnati Life Insurance Company, Protective Life & Annuity Ins. Co., Conseco Life of Texas, Symetra Life Insurance Company, Equitable Life & Casualty Ins. Co., and American Financial Security Life Ins. Co. Total in force amount at the end of 2021 was \$2,029,484.

Reinsurance Ceded

As of the examination date, the Company had two major reinsurance contracts, renewable term insurance and co-insurance agreements with an authorized non-affiliate, Swiss Re Life & Health America, Inc. In force amount at year end 2021 were \$51,351,642, and \$68,012,821, respectively. Reserve credit taken were \$941,357, and \$5,897,824, respectively.

The Company also had a co-insurance agreement with an unauthorized non-affiliate, Southern Financial Life Insurance Company, with total in force amount of \$7,979,958, and reserve credit taken of \$2,938,781, as of year-end 2021.

Additionally, the Company has a few other inconsequential agreements with the following authorized non-affiliated companies: Optimum Re Insurance Company, OPTIMUM RE, Mutual of Omaha Ins. Co., and American Financial Security Life Ins. Co.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Utah Insurance Department and present the financial condition of the Company for the period ending December 31, 2021. The accompanying COMMENTS ON FINANCIAL STATEMENTS reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

STANDARD LIFE AND CASUALTY INSURANCE COMPANY
BALANCE SHEET

as of December 31, 2021

<u>Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$ 32,287,919
Preferred stocks	200,000
Common stocks	77,962
Cash, cash equivalents and short-term investments	2,371,702
Contract loans	2,410,906
Investment income due and accrued	324,141
Uncollected premiums, agents' balances in the course of collection	127,356
Deferred premiums, agents' balances booked but not yet due	2,676,982
Amounts recoverable from reinsurers	1,647,543
Funds held by or deposited with reinsured companies	1,159,417
Other amounts receivable under reinsurance contracts	586,812
Current federal and foreign income tax recoverable and interest	266,504
Net deferred tax asset	1,107,608
Electronic data processing equipment and software	60,978
Aggregate write-ins for other than invested assets	26,351
Total assets	<u>\$ 45,332,181</u>

STANDARD LIFE AND CASUALTY INSURANCE COMPANY
BALANCE SHEET (CONTINUED.)

as of December 31, 2021

<u>Liabilities, Capital and Surplus</u>	<u>Current Year</u>
Aggregate reserve for life contracts	\$ 31,284,747
Aggregate reserve for accident and health contracts	620,312
Liability for deposit-type contracts	1,186,877
Contract claims: Life	486,910
Contract claims: Accident and health	210,000
Policyholders' dividends and refunds not yet apportioned	16,965
Premiums and annuity considerations received in advance	12,799
Other amounts payable on reinsurance	2,169,585
Interest maintenance reserve	572,932
Commissions to agents due or accrued life and annuity contracts	26,575
General expenses due or accrued	10,206
Asset valuation reserve	82,167
Payable to parent, subsidiaries, and affiliates	4,076
Aggregate write-ins for liabilities	95,389
Total liabilities	<u>36,779,540</u>
 Common capital stock	 1,627,500
Gross paid in and contributed surplus	3,367,093
Unassigned funds (surplus)	<u>3,558,048</u>
Total capital and surplus	<u>8,552,641</u>
Total liabilities, capital and surplus	<u><u>\$ 45,332,181</u></u>

STANDARD LIFE AND CASUALTY INSURANCE COMPANY
INCOME STATEMENT

for the Year Ended December 31, 2021

	Current Year
Premiums and annuity considerations	\$ 10,583,643
Net investment income	1,314,847
Amortization of interest maintenance reserve	26,255
Commissions and expense allowances on reinsurance ceded	1,518,334
Total revenues	13,443,079
Death benefits	2,983,257
Matured endowments	8,000
Annuity benefits	28,002
Disability benefits and benefits under accident and health contracts	1,409,988
Surrender benefits and withdrawals for life contracts	234,209
Interest and adjustments on contract or deposit-type contract funds	33,720
Payments on supplementary contracts with life contingencies	14,692
Increase in aggregate reserves for life and A&H contracts	2,259,920
Total benefits	6,972,588
Commissions on premiums	2,839,841
Commissions and expense allowances on reinsurance assumed	68,619
General insurance expenses	2,289,061
Insurance taxes, licenses and fees, before federal income taxes	616,094
Increase in loading on deferred and uncollected premiums	5,149
Total expenses	12,791,352
Net gain before dividends, refunds, federal income taxes	651,727
Dividends to policyholders and refunds to members	15,167
Net gain after dividends and refunds, before federal taxes	636,560
Federal and foreign income taxes incurred	182,049
Net gain from operations after dividends	454,511
Net realized capital gains or (losses)	11,838
Net income	\$ 466,349

STANDARD LIFE AND CASUALTY INSURANCE COMPANY
RECONCILIATION OF CAPITAL AND SURPLUS

2020 and 2021

	<u>2020</u>	<u>2021</u>
Capital and surplus, December 31, prior year	\$ 5,906,872	\$ 8,569,636
Net income	(72,231)	466,349
Change in net unrealized capital gains or (losses)	0	36,797
Change in net deferred income tax	669,744	137,273
Change in nonadmitted assets	(123,945)	(544,947)
Change in asset valuation reserve	248,490	(82,167)
Surplus adjustment: paid in	2,288,274	
Dividends to stockholders	(35,000)	0
Aggregate write-ins for gains and losses in surplus	(313,018)	(30,300)
Capital and surplus, December 31, current year	<u>\$ 8,569,636</u>	<u>\$ 8,552,641</u>

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

No adjustments were made to surplus as of December 31, 2021, as a result of the examination.

COMMENTS ON FINANCIAL STATEMENTS

There are no comments on financial statement items as of December 31, 2021, as a result of the examination.

SUBSEQUENT EVENTS

1. The following changes took place with the Directors and Officers of the Company during 2022:
 - Daniel J. George resigned and/or retired from the Board of Directors and the position of Chief Executive Officer.
 - Todd R. Tippetts and John T. Harris were appointed as new Directors.
 - Todd Z. Hayden was appointed as Senior Vice-President, CMO.
 - Carolyn K. Pratt was appointed as Vice-President, Controller.
2. Subsequent to the examination date, the Company obtained additional licenses to write business in the following states: Delaware, Iowa, Massachusetts, New Hampshire, Vermont, West Virginia, and Wisconsin.
3. In 2022, the Company received a total of \$2,000,000 in capital contributions from its immediate parent company, in which \$874,200 contributions were in exchange for the Company's 282 class A common capital stocks.

ACKNOWLEDGEMENT

Cambria Shore, MSA, CFE, APIR, Examiner Supervisor, supervised the examination. She joins the undersigned in acknowledging the assistance and cooperation extended during the examination by officers and representatives of the Company.

Respectfully submitted,

Malis Rasmussen

Malis Rasmussen, MSA, CFE, SPIR
Chief Financial Examiner
Utah Insurance Department